



**CONNECTICUT CHALLENGE INC.**

**Financial Statements**

**Years Ended December 31, 2019 and 2018**

**CONNECTICUT CHALLENGE INC.**

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## Independent Auditor's Report

To the Board of Directors  
Connecticut Challenge Inc.  
Southport, Connecticut

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Connecticut Challenge Inc., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Connecticut Challenge Inc.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Connecticut Challenge Inc., as of December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

As disclosed in Note 15 to the financial statements, the 2018 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

*Report on Prior Year Information*

The financial statements as of and for the year ended December 31, 2018 were audited by another auditor who expressed an unmodified opinion on those statements dated August 31, 2020. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2018, aside from the correction of a misstatement noted in the emphasis of matter paragraph, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Cirone Friedberg, LLP*

Shelton, Connecticut  
October 19, 2021

## CONNECTICUT CHALLENGE INC.

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u> (As Restated)
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 341,575	\$ 271,112
Contributions Receivable	1,050	106,227
Prepaid Expenses and Other Assets	36,189	55,840
Investments	101,896	302,873
Leasehold Improvements and Equipment, Net	1,038,528	1,191,132
Intangible Assets	<u>92,670</u>	<u>129,006</u>
<b>Total Assets</b>	<b><u>\$ 1,611,908</u></b>	<b><u>\$ 2,056,190</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<u>Liabilities</u>		
Accounts Payable and Accrued Expenses	\$ 214,356	\$ 192,440
Line of Credit	150,000	150,000
Grants Payable	-	29,000
Deferred Lease Incentive	69,677	78,387
Notes Payable	<u>211,484</u>	<u>283,695</u>
Total Liabilities	<u>645,517</u>	<u>733,522</u>
<u>Net Assets</u>		
Net Assets Without Donor Restriction	960,342	1,275,882
Net Assets With Donor Restriction	<u>6,049</u>	<u>46,786</u>
Total Net Assets	<u>966,391</u>	<u>1,322,668</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,611,908</u></b>	<b><u>\$ 2,056,190</u></b>

See notes to financial statements

## CONNECTICUT CHALLENGE INC.

**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018 (As Restated)		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue, Gains and Other Support</b>						
Contributions and Grants	\$ 1,143,504	\$ -	\$ 1,143,504	\$ 1,748,020	\$ 20,000	\$ 1,768,020
Special Events	81,701	-	81,701	78,970	-	78,970
Membership	133,591	-	133,591	120,947	-	120,947
Net Assets Released From Restriction	40,737	(40,737)	-	18,214	(18,214)	-
Total Revenues, Gains and Other Support	<u>1,399,533</u>	<u>(40,737)</u>	<u>1,358,796</u>	<u>1,966,151</u>	<u>1,786</u>	<u>1,967,937</u>
<b>Functional Expenses</b>						
Programs:						
Mission Training Center	556,601	-	556,601	642,705	-	642,705
Cancer Survivorship Programs	662,249	-	662,249	908,398	-	908,398
Total Programs	<u>1,218,850</u>	<u>-</u>	<u>1,218,850</u>	<u>1,551,103</u>	<u>-</u>	<u>1,551,103</u>
Management and General	91,516	-	91,516	183,060	-	183,060
Development and Fundraising	122,023	-	122,023	147,929	-	147,929
Total Functional Expenses	<u>1,432,389</u>	<u>-</u>	<u>1,432,389</u>	<u>1,882,092</u>	<u>-</u>	<u>1,882,092</u>
Change in Net Assets From Operations Before Depreciation and Amortization	(32,856)	(40,737)	(73,593)	84,059	1,786	85,845
Depreciation and Amortization	<u>(196,986)</u>	<u>-</u>	<u>(196,986)</u>	<u>(205,025)</u>	<u>-</u>	<u>(205,025)</u>
Change in Net Assets from Operations	(229,842)	(40,737)	(270,579)	(120,966)	1,786	(119,180)
<b>Other Changes in Net Assets</b>						
Investment Return and Impairment, Net	<u>(85,698)</u>	<u>-</u>	<u>(85,698)</u>	<u>(6,384)</u>	<u>-</u>	<u>(6,384)</u>
Change in Net Assets	<u>(315,540)</u>	<u>(40,737)</u>	<u>(356,277)</u>	<u>(127,350)</u>	<u>1,786</u>	<u>(125,564)</u>
Net Assets - Beginning of Year, as Previously Reported				1,436,234	45,000	1,481,234
Restatement				<u>(33,002)</u>	<u>-</u>	<u>(33,002)</u>
Net Assets - Beginning of Year, as Restated	<u>1,275,882</u>	<u>46,786</u>	<u>1,322,668</u>	<u>1,403,232</u>	<u>45,000</u>	<u>1,448,232</u>
<b>Net Assets - End of Year</b>	<u>\$ 960,342</u>	<u>\$ 6,049</u>	<u>\$ 966,391</u>	<u>\$ 1,275,882</u>	<u>\$ 46,786</u>	<u>\$ 1,322,668</u>

See notes to financial statements

## CONNECTICUT CHALLENGE INC.

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u> <u>(As Restated)</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ (356,277)	\$ (125,564)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	196,986	205,025
Net Realized and Unrealized Losses	85,698	2,774
Donated Securities	-	(203,791)
Amortization of Deferred Lease Incentive	(8,710)	(8,710)
Changes in Assets and Liabilities:		
Contributions Receivable	105,177	(1,493)
Prepaid Expenses and Other Assets	19,651	7,956
Accounts Payable and Accrued Expenses	21,916	46,483
Grants Payable	(29,000)	(46,408)
Net Cash Provided (Used) by Operating Activities	<u>35,441</u>	<u>(123,728)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Leasehold Improvements and Equipment	(527)	(73,024)
Purchases of Intangible Assets	(7,519)	-
Proceeds from Sales of Investments	115,279	810,653
Purchases of Investments	-	(786,172)
Net Cash Provided (Used) by Investing Activities	<u>107,233</u>	<u>(48,543)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from Line of Credit	-	150,000
Payments on Notes Payable	(72,211)	(66,316)
Net Cash (Used) Provided by Financing Activities	<u>(72,211)</u>	<u>83,684</u>
Net Increase (Decrease) in Cash and Cash Equivalents	70,463	(88,587)
Cash and Cash Equivalents - Beginning of Year	<u>271,112</u>	<u>359,699</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u><b>\$ 341,575</b></u>	<u><b>\$ 271,112</b></u>
<b>Supplemental Cash Flow Information</b>		
Cash Paid During the Year for Interest	<u><b>\$ 30,244</b></u>	<u><b>\$ 23,559</b></u>

See notes to financial statements

## CONNECTICUT CHALLENGE INC.

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019					2018				
	Mission Training Center	Cancer Survivorship Programs	Management and General	Development and Fundraising	Total	Mission Training Center	Cancer Survivorship Programs	Management and General	Development and Fundraising	Total
Salaries and Benefits	\$ 160,087	\$ 261,195	\$ 15,300	\$ 22,987	\$ 459,569	\$ 198,570	\$ 323,983	\$ 56,576	\$ 51,870	\$ 630,999
Payroll Taxes	10,077	16,440	1,617	4,204	32,338	13,584	22,163	4,795	3,051	43,593
Special Events	16,454	119,168	-	16,341	151,963	30,901	211,581	-	24,292	266,774
Contract Services	157,295	104,346	8,567	32,479	302,687	170,481	148,017	16,204	23,202	357,904
Rent	77,075	30,913	6,447	3,601	118,036	67,350	26,545	12,595	8,015	114,505
Utilities	67,066	22,355	6,543	13,086	109,050	74,747	24,116	13,262	8,440	120,565
Grants	-	1,000	-	-	1,000	4,000	24,000	-	-	28,000
Printing and Publications	3,909	6,376	753	1,505	12,543	6,323	10,319	2,232	1,420	20,294
Supplies and Postage	11,855	17,381	198	221	29,655	20,146	23,272	5,034	3,203	51,655
Credit Card Fees	20,073	23,236	840	6,836	50,985	17,476	21,530	663	6,548	46,217
Professional Fees	-	-	45,802	-	45,802	-	-	60,868	-	60,868
Membership Fees	1,583	2,584	304	609	5,080	1,544	2,520	544	346	4,954
Communications	9,311	15,193	1,745	2,848	29,097	11,851	19,335	4,183	2,662	38,031
Advertising	3,160	5,156	-	1,826	10,142	3,360	5,482	-	1,940	10,782
Travel and Entertainment	733	10,063	-	2,370	13,166	2,035	15,553	-	3,860	21,448
Interest	9,751	15,675	1,606	3,212	30,244	7,710	12,332	2,149	1,368	23,559
Storage	1,626	2,652	313	626	5,217	4,205	6,861	1,484	944	13,494
Insurance	4,662	7,609	768	894	13,933	4,780	7,802	1,687	1,073	15,342
Miscellaneous	1,884	907	713	8,378	11,882	3,438	2,654	784	5,695	12,571
Repairs and Maintenance	-	-	-	-	-	204	333	-	-	537
Total Expenses Before Depreciation and Amortization	556,601	662,249	91,516	122,023	1,432,389	642,705	908,398	183,060	147,929	1,882,092
Depreciation and Amortization	67,370	109,917	11,819	7,880	196,986	63,886	122,821	9,159	9,159	205,025
<b>Total Expenses</b>	<b>\$ 623,971</b>	<b>\$ 772,166</b>	<b>\$ 103,335</b>	<b>\$ 129,903</b>	<b>\$ 1,629,375</b>	<b>\$ 706,591</b>	<b>\$ 1,031,219</b>	<b>\$ 192,219</b>	<b>\$ 157,088</b>	<b>\$ 2,087,117</b>

See notes to financial statements



## CONNECTICUT CHALLENGE INC.

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

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#### NOTE 1 - NATURE OF OPERATIONS

Connecticut Challenge Inc. d/b/a CT Challenge and Mission (CTC) was founded on May 2, 2005 as a not-for-profit organization incorporated under the Nonstock Corporation Act of the State of Connecticut and as a 501(c)(3) organization, is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (Code). CTC is also exempt from state income tax. The mission of CTC is to empower cancer survivors to live healthier, happier and longer lives through the game-changing exercise, nutrition and mind-body knowledge, tools and community needed to get to the other side of cancer and stay there. CTC serves its mission by creating and funding survivorship programs, providing grants, building a community of support, and offering public education and awareness using the Mission Training Center and its web-based platforms as the centerpiece of its offerings. CTC raises funds for its programs through its annual marquee charity bike event and other related fundraising activities.

#### Program Services

##### Mission

CTC continued to build upon its mission-related programs in 2019. These included a robust build-out of its digital health and wellness offerings; grants to programs for young survivors; grants to community programs; delivery of cancer survivorship information and education; and grants for survivorship programs at county-based hospitals. In 2019, programs funded by the CTC impacted the lives of thousands of cancer survivors; see the following sections for details.

##### Mission Training Center (Center)

The 8,000-square foot state-of-the-art Center in Southport, Connecticut, is a paradigm-shifter, the centerpiece of all CTC programs. An incubator for best practices in wellness for cancer survivors, it is filling a gap in the healthcare system; there are few comprehensive, dedicated wellness resources for survivors. The Center Blends exercise, nutrition, education and mind-body health, and staffed by experienced, compassionate trainers, instructors and nutritionists with expertise in working with cancer survivors. Program offerings include the Adventure Project, where cancer survivors train to pursue a physical challenge or passion. The Center is led by a full-time director, who is responsible for managing survivorship training programs and all activities at the Center.

##### Digital Health and Wellness

As previously stated, CTC remains committed to reaching an ever-increasing audience of cancer survivors, as evidenced by its continued investment in an evolving digital hub ([www.ctchallenge.org](http://www.ctchallenge.org) and now [www.yourmission.org](http://www.yourmission.org)).

CTC Digital Health and Wellness initiatives include a bi-weekly e-newsletter and social media channels (Facebook, Instagram, Twitter and YouTube). These communication platforms are built from content including blogs, videos, inspirational survivorship stories, recipes, strength and fitness-building strategies and more. They are CTC's distribution channels for the actionable knowledge amassed from the exercise, nutrition, mind-body health and community-building support programs incubated at the Center, enabling CTC to put these best practices within reach of any survivor in need of them, regardless of where they live.

**CONNECTICUT CHALLENGE INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

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**NOTE 1 - NATURE OF OPERATIONS (CONTINUED)**

Program Services (continued)

Education and Community Programs

CTC allocated funds to better serve survivors in a community-based approach. Through the responsible investment of CTC's resources in community-centered initiatives, it is able to join fellow organizations in targeting the underserved, raising and addressing neglected survivorship issues, and impacting people in a personal, meaningful way.

The Center hosted two wellness workshops in nutrition and meditation which was open to anyone in the community.

The CTC distributed an e-newsletter to over 2,000 cancer survivors in 2019. Featuring current research as well as CTC program details and participants, the newsletter is designed to educate and galvanize those in need of all CTC offers to incorporate into their lives the approach, wellness choices and resources CTC advocates.

Young Survivor Programs

Fifty years ago, childhood cancers were largely fatal; today, the survival rate is over 83%. However, as the number of these survivors reaching adulthood increases, so do the after-effects from their treatments. Childhood cancer survivors experience multiple, often severe, health problems more typical of those much older; they also die prematurely. By age 45, a majority of pediatric cancer survivors will have a disabling, serious or life-threatening health condition. It is particularly important for these survivors to early adopt the healthy lifestyle advocated by CTC, and to continue its maintenance.

CTC advances this aim through the Adventure Project, a program that emerged in 2016 after five years of beta testing. The Adventure Project gives survivors ages 12 to 30 throughout the United States free access to dedicated personal trainers who work both in-person, in health clubs and virtually with these young survivors to achieve their goals, via exercise training programs.

CTC's past programs included a partnership with the Susan Fund, a not-for-profit organization dedicated to providing college scholarships to young cancer survivors. This program provides financial assistance to those in need so they can attend the college of their choice and pursue their dreams. An additional scholarship program was designed to support the CT Challenge Christopher Cook Scholarship, awarded to student cancer survivors attending Sacred Heart University.

The CTC partnered with Camp Rising Sun to provide financial support for week-long camp experiences for pediatric cancer survivors. Camp Rising Sun serves pediatric cancer survivors each year and provides hope and inspiration for these young children.

**CONNECTICUT CHALLENGE INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

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**NOTE 1 - NATURE OF OPERATIONS (CONTINUED)**

Program Services: (continued)

Prevention

Since 2010, the CTC has given grants to fund St. Vincent's/CT Challenge Mobile Mammography Coach vehicle, providing mammography screening to those in local towns and communities. This mobile unit and digital mammography equipment travels throughout Connecticut, typically screening patients at three different public locations per month, in addition to corporate screenings. Mammograms are low-cost for those with health insurance and free for those who do not have health insurance, have financial limitations and/or qualify for assistance.

Connecticut Challenge - Bike Event

The Sixteenth Annual Connecticut Challenge Bike Event was a two-day event, which took place on July 27, 2019 in Connecticut. This event consisted of a choice of 10, 25, 50, 75 or 100-mile charity bike ride distances. Proceeds from this bike ride went to various cancer related not-for-profit organizations and special programs for cancer survivors and healthcare professionals.

Partnerships

CTC has strategic partnerships with the Leukemia & Lymphoma Society, American Cancer Society, Susan G. Komen, Camp Rising Sun, First Descents, The Hole In The Wall Gang Camp, Tommy Fund, Norwalk Hospital and Norma Pfriem Breast Cancer Center, and will continue to collaborate with these and other organizations over the coming years.

Corporate/Community-Based Partners

Partnerships have been established with Fairfield University and Sacred Heart University. In particular, CTC staff work with school officials on programming and special events.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The financial statements of CTC have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require CTC to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restriction

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of CTC's board of directors.

CONNECTICUT CHALLENGE INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (continued)

Net Assets With Donor Restriction

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CTC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. CTC did not have any net assets with restrictions in perpetuity as of December 31, 2019 and 2018.

Donor restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires or the restricted purpose is satisfied, net assets are reclassified from net assets with donor restriction to net assets without donor restriction in the statements of activities.

Measure of Operations

CTC's measure of operations includes all changes in net assets except investment gains and losses.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. It is management's opinion that the estimates applied in the accompanying financial statements are reasonable.

Newly Adopted Accounting Standard

Effective January 1, 2019, CTC adopted Financial Accounting Standards Board Accounting Standards Update (ASU) 2018-08: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies and improves existing guidance under U.S. GAAP about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. ASU 2018-08 also requires an entity to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

CTC adopted ASU 2018-08 using the modified prospective method. This method allows the standard to be applied to agreements that are either not completed as of the effective date, or are entered into after the effective date. As such, comparative information in CTC's financial statements has not been restated and continues to be reported under the accounting standards in effect for that period. Management's analysis of various provisions of ASU 2018-08 resulted in no significant changes in the way CTC recognizes revenue. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**CONNECTICUT CHALLENGE INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and certain highly liquid investments with original maturities of 90 days or less.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include CTC's gains and losses on investments bought and sold as well as held during the year and are reported in the statements of activities as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law.

Leasehold Improvements and Equipment

Leasehold Improvements and equipment are stated at cost or, in the case of contributed assets, at their fair market value at the date of receipt as determined by CTC. Property and equipment acquisitions and improvements are depreciated on a straight-line basis over shorter of their estimated useful lives of 3 to 15.5 years or the remaining lease term for leasehold improvements. Repairs and maintenance are charged to expense as incurred.

Intangible Assets

Intangible assets consist exclusively of website development costs and are being amortized over 36-60 months.

Revenue Recognition

CTC recognizes contributions and sponsorships when cash, securities, an unconditional promise to give, other assets, or a notification of a beneficial interest are received. Conditional promises to give, that is, those with measurable performance or other barriers and right of return, are not recognized until the conditions on which they depend have been met.

CONNECTICUT CHALLENGE INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition (continued)

Contributions

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restriction if the restriction expires or the restricted purpose is satisfied in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires or the restricted purpose is satisfied, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions.

Contributions receivable that are expected to be received within one year of the financial statement date are reflected at their net realizable value (the gross amount of the contributions receivable, net of an allowance for uncollectible amounts). Contributions receivable that are expected to be collected more than one year after the financial statement date are reflected at the present value of their estimated future cash flows using a discount rate at the date the promise to give is received commensurate with the risks involved. As of December 31, 2019 and 2018, CTC had contributions receivable of \$1,050 and \$106,227, respectively. All contributions receivable are expected to be collected during the following year.

Donated Services

Donated noncash assets are recorded at their fair values at the date of donation. Donated services that create or enhance nonfinancial assets or that require specialized skills, provided by individuals possessing those skills, and that would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. There were no donated services meeting this criteria for recognition for the years ended December 31, 2019 and 2018.

Memberships

Revenue from memberships is recognized monthly at the time each members credit card is charged.

Functional Expense Allocation

Expenses are charged directly to programs, development and fundraising, and management and general based on specific identification to the extent practicable. Management and general expenses include those expenses that are not directly identifiable with a specific function but provide for the overall support and direction of CTC.

**CONNECTICUT CHALLENGE INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Expense Allocation (continued)

The costs of providing various programs and other activities have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Allocation of overhead expenses including rent, utilities, supplies and postage, printing and publications, credit card fees, membership fees, communications, interest, storage, insurance and depreciation and amortization are allocated to functional areas based upon square footage. The allocations of salary and related expenses for management and supervision of program service functions are made by management based on the estimated time spent by employees on the various program service functions.

Special Event costs allocated to Development and Fundraising and/or other Programs were based upon square footage of event space utilized (e.g., tent occupancy) and purpose of event. All events of the organization (including fundraising events) are to promote the programs to cancer survivors and to raise money for those programs. Total joint costs allocated between programs and development and fundraising were \$151,963 and \$266,774 for the years ended December 31, 2019 and 2018, respectively. Joint costs allocated to programs were \$135,622 and \$242,482 for the years ended December 31, 2019 and 2018, respectively. Joint costs allocated to fundraising and development were \$16,341 and \$24,292 for the years ended December 31, 2019 and 2018, respectively.

Subsequent Events

Management has evaluated all transactions and events that occurred through October 19, 2021, the date these financial statements were available to be issued. Through that date, there were no material events that would require recognition, other than described in Note 14.

**NOTE 3 - CONCENTRATIONS OF CREDIT RISK**

CTC's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents and investments.

Cash and Cash Equivalents

CTC places its cash deposits with high credit-quality institutions. Such deposits exceeded federal depository insurance limits at times during the year. However, management believes that CTC's deposits are not subject to significant credit risk.

Investments

CTC's investments are comprised of money market funds and various equities. These investments are not protected by federal depository insurance. The value of the investments is subject to fluctuations due to general market conditions and interest rates.

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**NOTE 4 - FAIR VALUE MEASUREMENTS**

U.S. GAAP has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CTC has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Common Stocks and Exchange Traded Funds

These items are valued at the closing price reported in the active market in which the individual securities are traded.

Corporate Bonds

Corporate bonds are valued based on yields currently available on comparable securities issuers with similar durations and credit ratings.

Mutual Funds and Preferred Securities

Mutual funds and preferred securities are valued at the quoted net asset value of shares reported in the active market in which the funds are traded.



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**NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)**

Privately Held Corporation

The fair value of the privately held corporation investment held by CTC is valued based upon the anticipated cash flows from annual dividends discounted for restrictions and other present value techniques.

There have been no changes in the methodologies used at December 31, 2019 and 2018.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while CTC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, CTC's assets at fair value as of December 31, 2019 and 2018:

2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Privately Held Corporation	\$ <u>      </u> -	\$ <u>      </u> -	\$ <u>101,896</u>	\$ <u>101,896</u>

2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities - Common Stock	\$60,640	\$ -	\$ -	\$ 60,640
Fixed Income - Corporate Bonds	-	14,692	-	14,692
Exchange Traded Funds	16,347	-	-	16,347
Mutual Funds	1,610	-	-	1,610
Preferred Securities	5,793	-	-	5,793
Privately Held Corporation	<u>      </u> -	<u>      </u> -	<u>203,791</u>	<u>203,791</u>
Total Assets at Fair Value	<u>\$84,390</u>	<u>\$14,692</u>	<u>\$203,791</u>	<u>\$302,873</u>

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**NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)**

Assets Measured at Fair Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3)

Level 3 investments represent a minority interest in the stock of a privately held corporation. The table below sets forth a summary of changes in the fair value of the CTC's Level 3 assets for the years ended December 31, 2019 and 2018:

Balance - January 1, 2018	\$ -
Contribution of Privately Held Stock	<u>203,791</u>
Balance - December 31, 2018	203,791
Impairment of Investment	<u>(101,895)</u>
Balance - December 31, 2019	<u>\$ 101,896</u>

During the year ended December 31, 2019, management determined that the fair market value of the private company in which CTC holds a minority interest had decreased resulting in an impairment of the investment. See Note 14.

**NOTE 5 - LEASEHOLD IMPROVEMENTS AND EQUIPMENT**

Property, building and equipment consist of the following as of December 31,:

	<u>2019</u>	<u>2018</u>
Leasehold Improvements	\$1,856,431	\$1,855,904
Equipment	197,570	197,570
Furniture and Fixtures	101,245	101,245
Computer Equipment	<u>48,969</u>	<u>48,969</u>
	2,204,215	2,203,688
Less: Accumulated Depreciation and Amortization	<u>1,165,687</u>	<u>1,012,556</u>
Leasehold Improvements and Equipment, Net	<u>\$1,038,528</u>	<u>\$1,191,132</u>

Depreciation and amortization expense was \$153,131 and \$163,793 for the years ended December 31, 2019 and 2018, respectively.

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**NOTE 6 - INTANGIBLE ASSETS**

Website development costs were \$330,314 and \$322,795 at December 31, 2019 and 2018, respectively. Accumulated amortization at December 31, 2019 and 2018 was \$237,644 and \$193,789, respectively.

At December 31, 2019, future amortization expense is as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$36,743
2021	33,589
2022	20,738
2023	<u>1,600</u>
Total	<u>\$92,670</u>

Amortization expense related to intangible assets was \$43,855 and \$41,232 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 7 - LINE OF CREDIT**

CTC has an available line of credit in the amount of \$150,000. Interest is payable monthly based on the prime rate (4.75% and 5.50% at December 31, 2019 and 2018, respectively) plus 1.5%. The line of credit will be renewed annually at the bank's discretion. The line of credit is secured by substantially all of CTC's assets. The balance outstanding was \$150,000 as of December 31, 2019 and 2018.

**NOTE 8 - NOTES PAYABLE**

CTC obtained a \$250,000 note payable for working capital with an interest rate of 4.78% and monthly payments of principal and interest totaling \$4,700. This note matures on December 7, 2022 and is secured by CTC's assets. See Note 14.

CTC also financed equipment and improvements totaling \$119,918 through an equipment financing arrangement. The note calls for monthly payments of \$2,250 through February 6, 2022 and has an effective interest rate of 4.76%. See Note 14.

The future maturities of the notes payable are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 74,887
2021	78,540
2022	<u>58,057</u>
Total	<u>\$211,484</u>

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**NOTE 9 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

As of December 31, 2019 and 2018, the following financial assets are available to meet annual operating needs for the years ending December 31, 2020 and 2019:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$341,575	\$271,112
Contributions Receivable	1,050	106,227
Investments	<u>101,896</u>	<u>302,873</u>
Total Financial Assets Available Within One Year	444,521	680,212
Less Amounts Unavailable For General Expenditures Within One Year, Due to:		
Restricted by Donors With Purpose Restrictions	<u>(6,049)</u>	<u>(46,786)</u>
Total Financial Assets Available to Management for General Expenditure Within One Year	<u>\$438,472</u>	<u>\$633,426</u>

Liquidity Management

CTC maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to financial assets available to meet general expenditures over the next 12 months, CTC operates with a cash flow budget and anticipates collecting sufficient revenue to cover general expenditures.

**NOTE 10 - NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restriction consists of \$6,049 and \$46,786 restricted for the Adventure Project as of December 31, 2019 and 2018, respectively. Net assets with donor restriction of \$40,737 and \$18,214 were released through the awarding of grants and expenditures through the Adventure Project for the years ended December 31, 2019 and 2018, respectively.

**NOTE 11 - DEFINED CONTRIBUTION RETIREMENT PLAN**

CTC maintains a defined contribution retirement plan as defined under Section 401(k) of the Internal Revenue Code. Under the provisions of the plan, employees age 21 and over are eligible to participate after six months of service. Employer matching contributions and discretionary contributions are subject to vesting requirements. Discretionary contributions were suspended for 2019 and 2018.

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**NOTE 12 - LEASE COMMITMENTS**

CTC leases its facility under a noncancelable operating lease expiring December 31, 2022. Under the terms of the lease, CTC is responsible for monthly base rental payments of \$10,196 per month, plus a proportionate share of operating costs and real estate taxes. See Note 14.

CTC also leases a copier under a noncancelable operating lease expiring March 2024. Under the terms of the lease, CTC is responsible for monthly rental payments of \$280.

At December 31, 2019, minimum future rental payments under these operating leases were as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 125,710
2021	125,710
2022	<u>125,710</u>
Total	<u>\$377,130</u>

As part of the facility lease CTC received lease incentives of \$135,000 related to the construction of the Mission Training Center. This amount has been recorded as deferred lease incentive on the statement of financial position and is being amortized over the life of the lease as a reduction in rent expense. Amortization of the deferred lease incentive was \$8,710 for each of the years ended December 31, 2019 and 2018.

**NOTE 13 - COMMITMENTS**

Contracts

CTC has entered into a professional employer agreement (the PEO agreement) with an independent third party. As part of the PEO agreement, the third party became a co-employer of CTC's employees and provides payroll, human resource and other administrative services to CTC. CTC retains direction and control over the employees necessary to conduct day-to-day job duties. The term of the PEO agreement is for one year and renews automatically for successive one-year terms on the anniversary date. For the years ended December 31, 2019 and 2018, CTC paid \$9,484 and \$5,765, respectively, for these services.

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**NOTE 14 - SUBSEQUENT EVENTS**

The COVID-19 outbreak is disrupting business operations across a range of industries. The extent of the impact of COVID-19 on CTC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on donors, governmental and non-governmental funding sources, employees and vendors; all of which are uncertain and cannot be predicted. The extent to which COVID-19 may continue to impact the financial condition or results of operations of CTC is uncertain as of the date of these financial statements.

On March 10, 2020, Connecticut Governor Ned Lamont declared a Public Health and Civil Preparedness Emergency. As a result, CTC announced that it would close the Center resulting in the cancelation of substantially all of CTC's programs for the year ended December 31, 2020. Due to the prolonged closure of the Center, CTC exited the lease for the facility and returned the equipment financed under the note payable to the lender. A settlement was reached with the lender whereby CTC agreed to pay \$48,002 in monthly payments of \$500 beginning in February 2021 and continuing through July 2022, with any outstanding balance due by August 1, 2022. No agreement has been reached with the landlord with respect to the leased facility.

On April 27, 2020, CTC received a Paycheck Protection Program (PPP) loan of \$144,800 granted by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). A portion of this loan may be forgivable based on the amount of qualifying expenses incurred and levels of employee headcount and salaries maintained during a measurement period. Any portion of the loan that must be repaid will bear interest at a rate of 1% per annum. On March 3, 2021, the CTC received a second draw PPP loan of \$81,410 with the same general loan terms as their first draw PPP loan.

As a result of the Public Health and Civil Preparedness Emergency CTC had to cancel or postpone substantially all of its in-person programming and fundraising including the Connecticut Challenge Bike Event resulting in significant reductions in revenue for the year ended December 31, 2020. The event was held July 30-31, 2021, but at reduced participation due to COVID-19 concerns.

Due to the global economic impact of the public health emergency, subsequent to December 31, 2019 it was determined the fair market value of CTC's investment in the privately held corporation was further impaired, and the Company would need to raise additional capital.

**NOTE 15 - RESTATEMENT OF PRIOR PERIOD**

During 2019, it was determined that accounts payable incorrectly included negative balances from a prior year. As a result, net assets at the beginning of the year ended December 31, 2018 were reduced by \$33,002, and accounts payable as of that date were increased by this amount.